

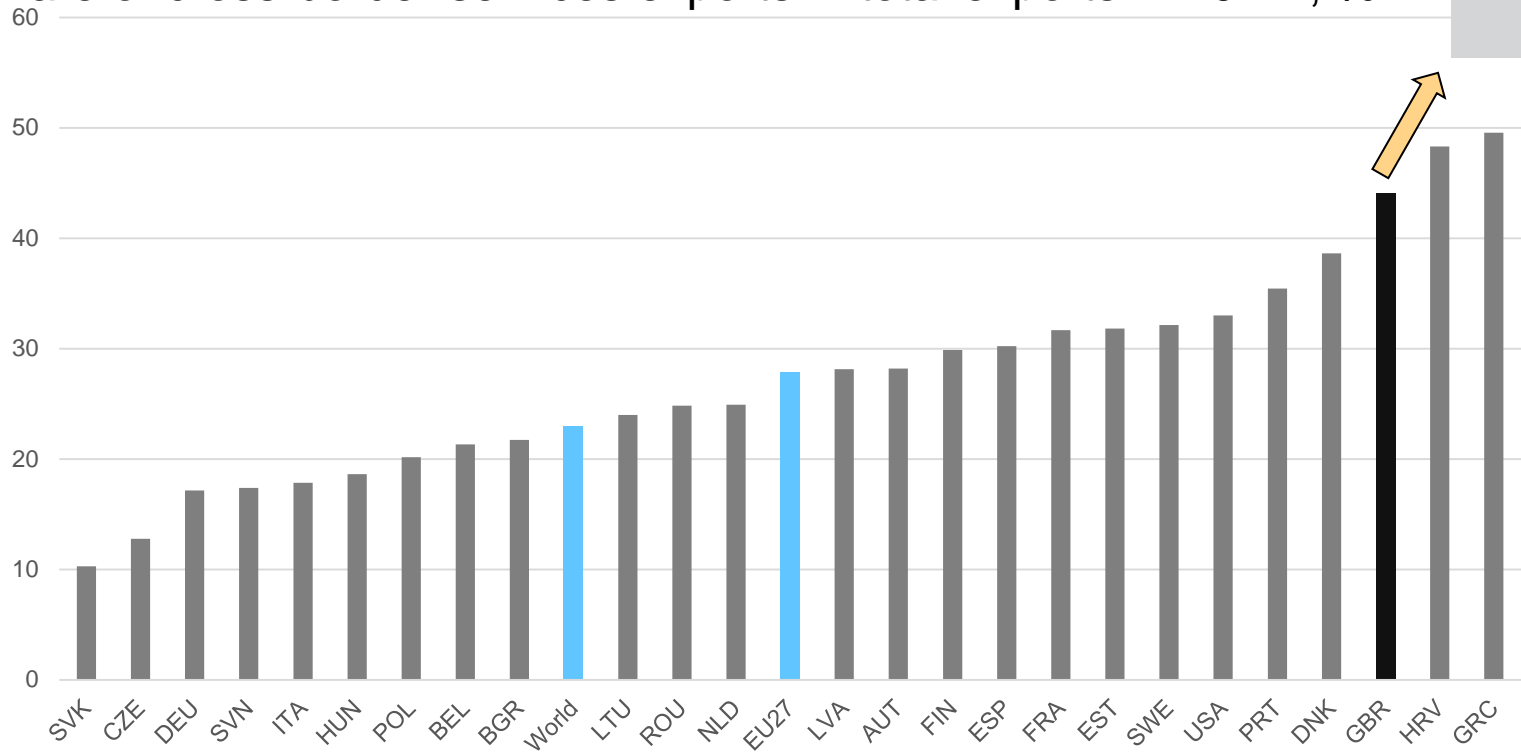
„Focus on External Trade 2018/2019“, 17 June 2019

# Future of the UK services trade post-Brexit: unlikely to be bright

Olga Pindyuk

# Trade in services undeservingly overlooked in the Brexit debate

Share of cross-border services exports in total exports in 2017\*, %



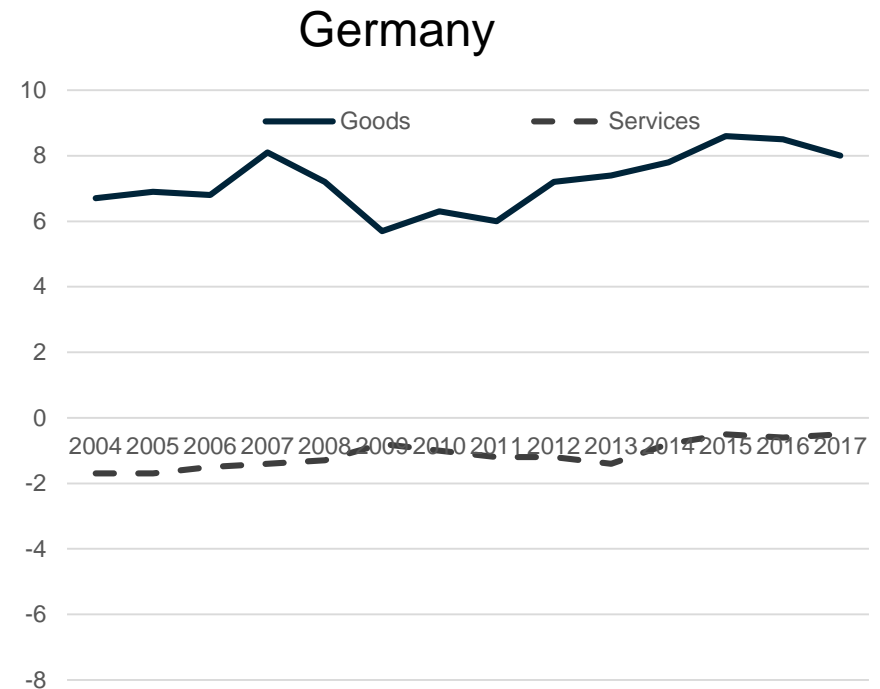
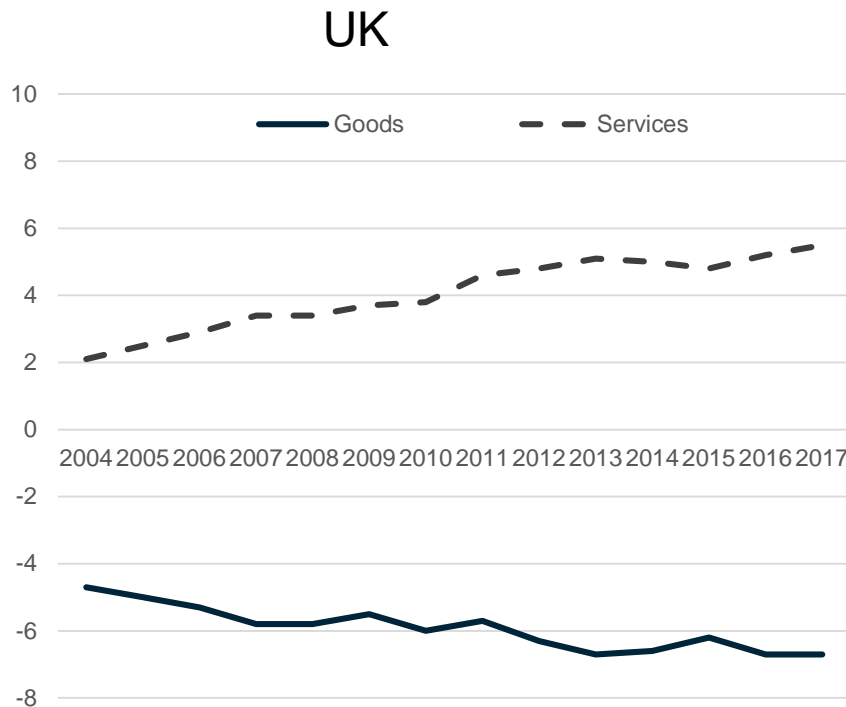
EU accounts for 49% of exports

\*Excluding outliers Luxembourg, Cyprus, and Ireland.

Source: WTO.

# Services trade surplus offsets negative merchandise trade balance

Net exports of goods and services as share in GDP\*, %



\*Including intra-EU trade.

Source: Eurostat.

## Other business services have the highest share in UK services exports

		Exports		Imports	
BOP	BOP description	EUR mln	Structure, %	EUR mln	Structure, %
<b>S</b>	Total	169123.5	100.0	139549.8	100.0
<b>SA</b>	Manufacturing services on physical inputs owned by others	2895.7	1.7	1253.5	0.9
<b>SB</b>	Maintenance and repair services n.i.e	1584.4	0.9	1469.8	1.1
<b>SC</b>	Transport	22031.6	13.0	13293.6	9.5
<b>SD</b>	Travel	30410.5	18.0	13931	10.0
<b>SE</b>	Construction	2376.9	1.4	1456.9	1.0
<b>SF</b>	Insurance	7851.6	4.6	5601.1	4.0
<b>SG</b>	Financial services	19648.2	11.6	15256.8	10.9
<b>SH</b>	Charges for the use of intellectual property n.i.e.	6017.3	3.6	8780	6.3
<b>SI</b>	Telecommunications, computer and information services	23444.7	13.9	13207.5	9.5
<b>SJ</b>	Other business services	39888.4	23.6	50083.9	35.9
<b>SK</b>	Personal, cultural and recreational services	1418.2	0.8	2617.4	1.9
	Other (unallocated)	11556.0	6.8	12598.3	9.0

## Benefits of Single Market in services

The EU has achieved the most advanced services trade liberalisation among existing regional trade agreements  
(Francois and Hoekman, 2010; Monteagudo et al., 2012)

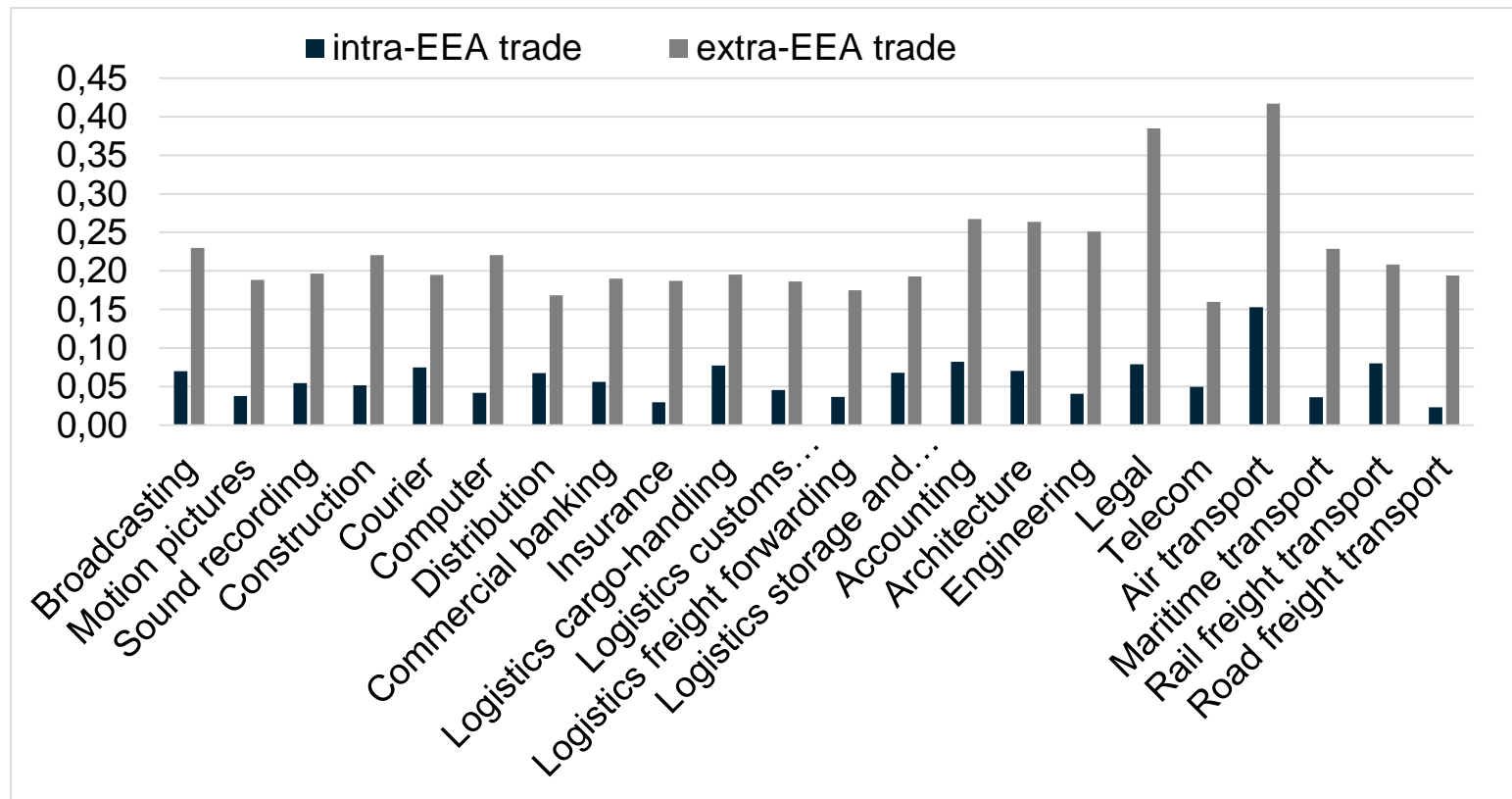
- Access to a market of over 500 million consumers,
- Free flow of data with other EU members,
- Passporting rights for financial companies
  - 67% of UK commercial banking services supplied to the EU are exported cross-border vs. 28% to the rest of the world
- Free movement of people
  - Important for professional services

## Brexit effect on UK services trade depend on the form it takes

- Hard Brexit - extreme outcome, means trading under WTO rules
- FTAs do not address many regulatory issues around authorizations and licensing (EU-South Korea, EU-Japan)
- More advanced services liberalisation possible with a comprehensive agreement
  - EEA not likely due to political considerations as migration concerns were crucial for Brexit
  - CETA and CETA+ are more realistic, but offer limited scope of trade liberalisation

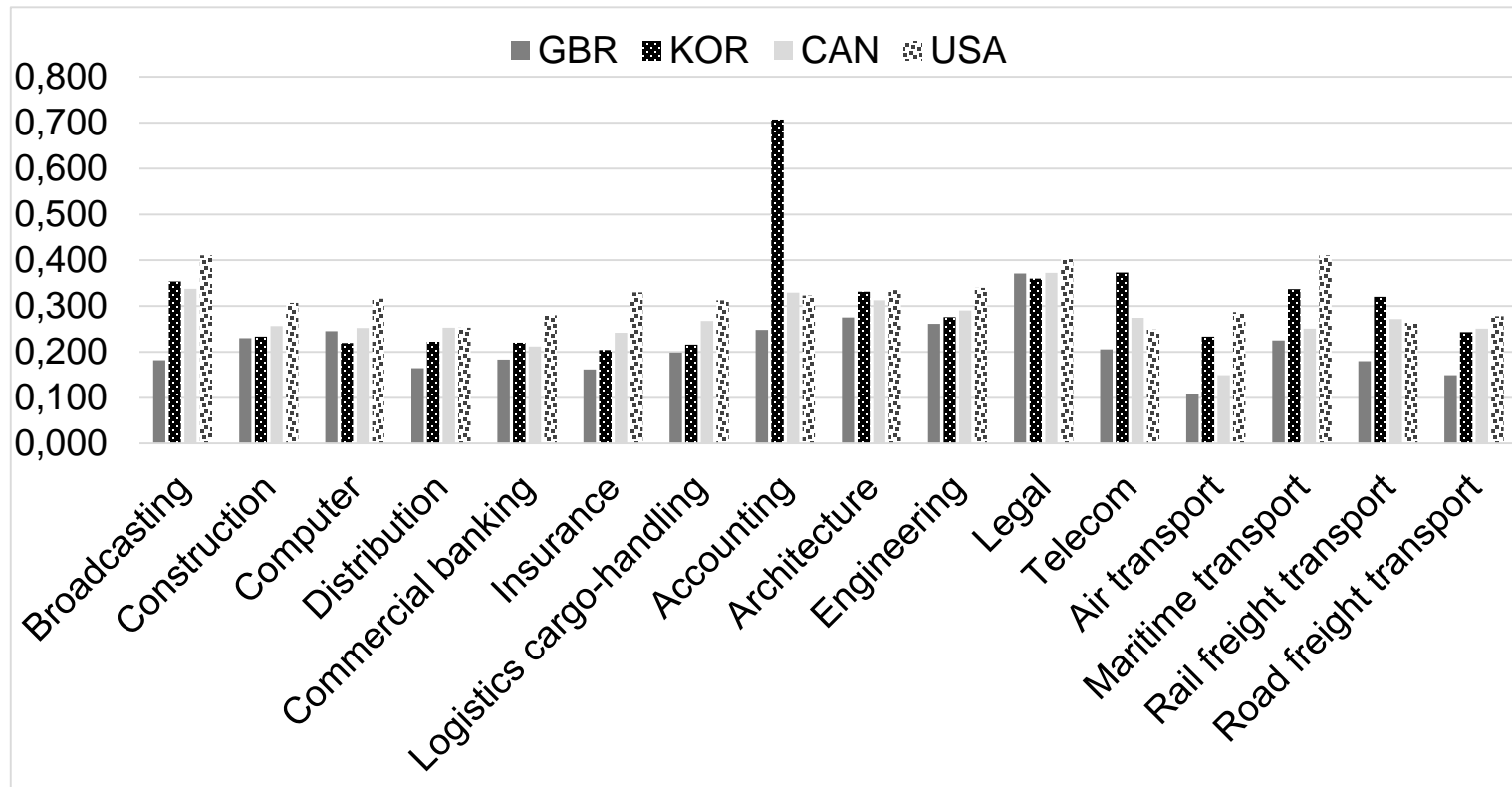
# Countries outside the Single Market face the highest barriers to trade in air transport and professional services

EEA STRI in 2018, simple average across countries



## Currently UK has the lowest regulatory heterogeneity with EEA, but it will likely grow post-Brexit

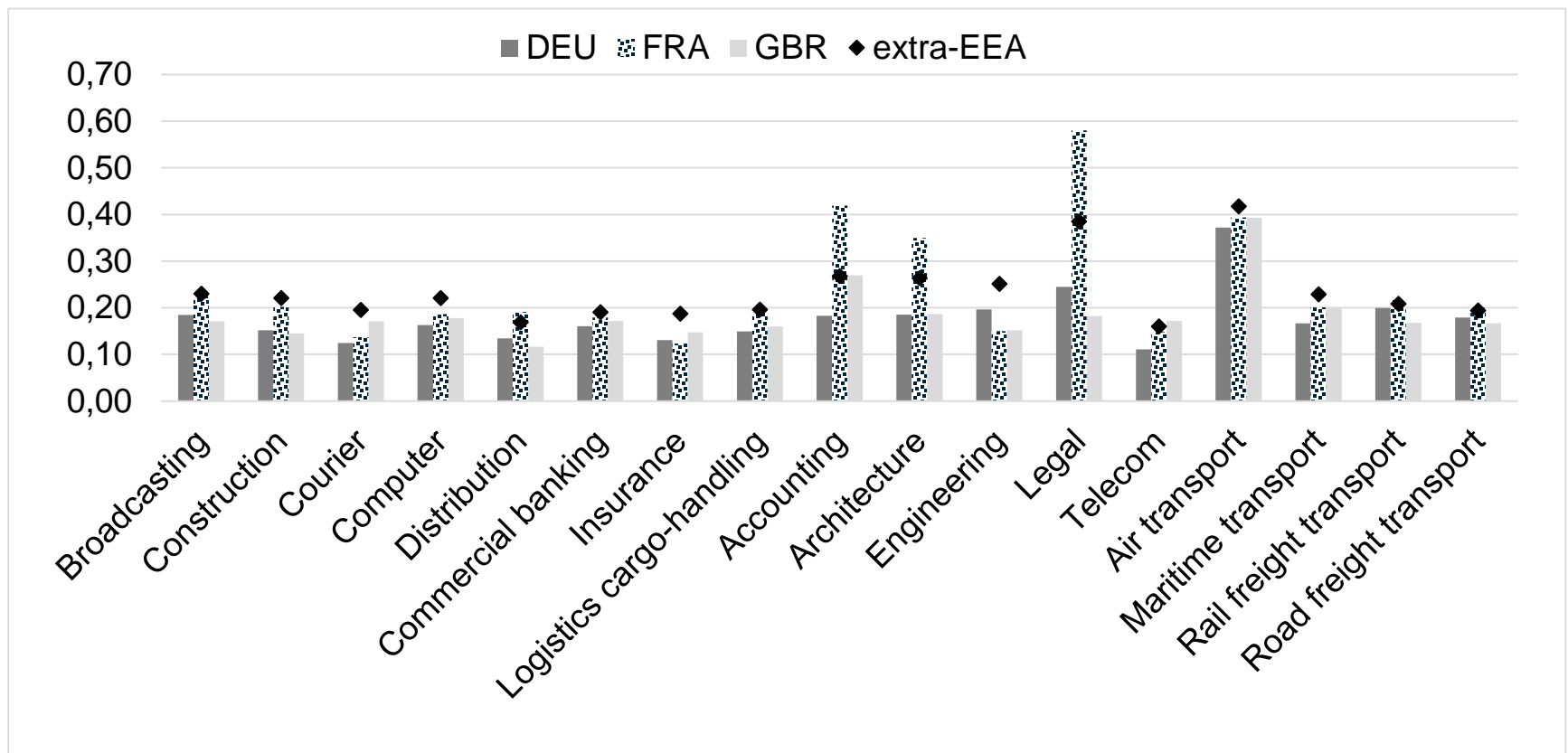
Regulatory heterogeneity of EEA and selected partner countries in 2018, simple average across countries





## Germany's share in the UK services exports is likely to increase post-Brexit

STRI in 2018, extra-EEA STRI values calculated as simple average across countries



# Thank you for your attention!

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